

# **CORRECTED FISCAL NOTE**

## **HB 422 - SB 1732**

March 22, 2005

**SUMMARY OF BILL:** Extends sales tax exemption on the sale of motor vehicles to U.S. military reservists or members of the National Guard who are called into active duty and who are stationed at any National Guard station within the State of Tennessee.

### **ESTIMATED FISCAL IMPACT:**

On March 18, 2005, we issued a fiscal note indicating *a net decrease to state revenues of \$3,912,000 and a decrease to local government revenues of \$115,000*. Based on additional information, the estimated fiscal impact of this bill is:

### **(CORRECTED)**

**Decrease State Revenues – Up to \$3,550,000**

**Decrease Local Govt. Revenues – Up to \$109,000**

Assumptions:

- Average price of a new vehicle is \$18,000.
- Average state exemption per \$18,000 vehicle is approximately \$1,304 ( $\$18,000 \times 7\% + [\$1,600 \times 2.75\%] = \$1,304$ ).
- Local sales tax cap average is \$40.
- Average turnover rate for a vehicle is every five (5) years.
- Active Duty Special Work (ADSW) are approximately 13,000.
- Active Guard and Reserve (AGR) are approximately 630.
- 13,630 individuals could be eligible for exemption.
- Annual number of vehicles purchased is estimated at 2,726 ( $13,630 \text{ individuals} \div 5\text{-year turnover ratio} = 2,726 \text{ vehicles per year}$ ).
- To the extent 2,726 vehicles are purchased by the eligible individuals, state revenues could decrease by an amount up to \$3.55 million ( $2,726 \times \$1,304 = \$3,554,704$ ).
- To the extent 2,726 vehicles are purchased by the eligible individuals, local government revenues could decrease by an amount up to \$109,000 ( $2,726 \times \$40 = \$109,040$ ).

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director